

23 May 1977

MEMORANDUM FOR: Sayre Stevens
Deputy Director for Intelligence
25X1A

FROM : [redacted]
Acting Director, Center for Policy Support

SUBJECT : China Analysis in the Directorate

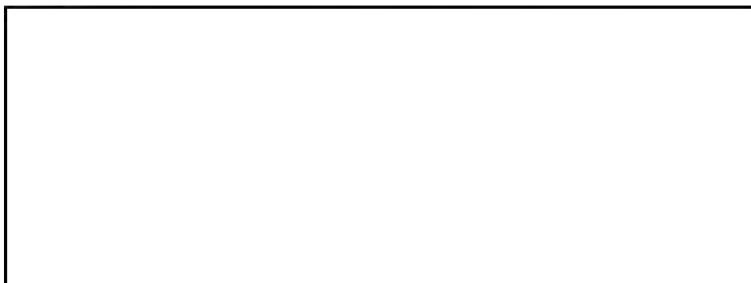
1. Please review the attached memoranda concerning
the interdisciplinary papers on China and [redacted] 25X1A
[redacted] observations on the work presently underway
in the Directorate. The proposal for interdisciplinary
papers was presented at the Production Board and approved.
You should focus on the 18 April memo as the basis for a
discussion with Charlie and me.

2. You should review the memo on China analysis
with particular attention on paragraphs 6-9. It is
essential for you to consider some of [redacted] ideas
before you meet with China analysts as you did last
month with Soviet analysts and [redacted] 25X1A
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*3. We will meet you Thursday at 1100 hours to
discuss.*

Attachments:

- A. China Analysis in the DDI
- B. Proposal for Interdisciplinary
Papers on China



ATTACHMENT A

18 April 1977

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MEMORANDUM FOR: Sayre Stevens
Deputy Director for Intelligence

THROUGH : [redacted]
Acting Director, Center for Policy Support

SUBJECT : China Analysis in the DDI

1. Over the past two months I have been looking over the Directorate's work in the China field, gently asking questions, checking production, plans and schedules and filling in gaps in the fund of knowledge I brought to this job. The next step is to ask the question, where do we want to go from here? In formulating this question, I make the assumption that as a problem China ranks with the Middle East directly behind the USSR as a priority target for the analytic work of the Directorate.

2. Much good work is now being done within the Directorate in attacking this target, but there are gaps, both in terms of developing a Directorate-wide China program, and equally importantly, in the work of the individual offices on China. Some gaps are inevitable. Obviously a good deal of leeway must be allowed for work that is driven by developments in China itself or by requests, demands and concerns that originate at the policy-making levels of the administration. Much of the most important work on China will fall into this category.

3. Nevertheless, it seems to me that a good percentage of the analysis on China within the Directorate need not be left to the laissez-faire methods and attitudes of the past. There are, I believe, three congruent ways to tackle the problem. The first is to emphasize interdisciplinary work so that China analysts in one office will become knowledgeable of the perceptions and contributions of their fellow analysts in other offices. My proposal for a series of such papers is scheduled for discussion at the next Production Board. The series of papers proposed not only highlight several of the major analytical questions now facing China analysts but also involves nearly every office in the Directorate without overburdening any single office. Taken as a whole these papers should provide the beginnings of a framework for a Directorate-wide attack on the China problem.

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4. The second prong in this attack is the DDI Priority Intelligence Production Projects program which you are now developing. This program, once fully launched, should not only further develop a coherent Directorate-wide China analytic program but should in time force the individual offices to concentrate more consciously on high priority projects of interest to policymakers. Both these efforts are important steps forward, but I am not sure they will fully meet the problem that I see within the individual offices themselves. This problem is to make the China research effort in each office more cohesive, interrelated and responsive to the overall needs and concerns of the Directorate as a whole. This is in large part a problem of focus.

5. Let me illustrate that problem with some concrete examples.

--OER. This is the only office with a coherent office-wide China program. That program is devoted to quantifying Chinese industrial and agricultural production through the reworking and refining of production indices for each industry. This program has been underway in a serious manner for two years; the payoff should come in another year. I consider this important work, although my economic colleagues in CPS point out that lack of data poses serious problems which cannot be fully overcome. Nevertheless, this work is primarily directed toward producing a series of papers to be incorporated in Senator Proxmire's periodic hearings on the state of the Chinese economy; in other words, the work of the office in the China field is driven by the Senator's concerns and schedules, not those of the Directorate. Moreover, concentration on production indices means that serious work in the areas of economic strategy--i.e., the choices the Chinese leadership must face--and of such structural and institutional problems as organization in the countryside and the factories has been neglected; in fact,

25X1A [redacted] tells me that he does not presently employ analysts who could effectively work in these neglected areas. As a result, the Directorate is doing no meaningful work in the field of what [redacted] calls political economy.

--ORPA. In my view this office does not have a coherent China research program in the sense that OER does. The rule of thumb appears to be simply a matter of asking each individual analyst what he or she would like to work on; many research projects are merely holdovers from those projected when OPR was in existence. The strongest analysts in the office respond well to outside stimulus--events in China, or requests from "on high"--but are relatively weak on conceptualization. Other

analysts bury themselves in research projects of doubtful relevance. Several senior analysts engage in projects of their own devising which rework analytic concepts partly outmoded twenty years ago. An overall sense of direction appears to be lacking; the various China research papers the office is now undertaking do not seem to be interrelated in any significant way.

--OSR. This office also lacks a coherent plan of attack on the China problem; here also projects seem to be undertaken largely because a given analyst would like to spend some time on it. Nearly all resources are consumed in addressing the problem of Chinese military capabilities. This is a question of great importance which surely cannot be ignored, but no meaningful work is now being done on broader questions of Chinese military strategy and doctrine. Normally this work would fall to [redacted] but recently the two China analysts in that center (who were in fact relatively weak and not producing much meaningful work) have been detached from [redacted] and assigned to other duties. No provision seems to have been made to take up the slack.

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--OSI. Only in [redacted] has a consistent and long-term effort been made on China problems. A review of office projects initiated or continued last year shows less than 20 devoted to China; this compares to nearly 200 on the USSR. Several years ago [redacted] disbanded its China branch; it felt the analysts were underemployed. Very little work on China was done in the division subsequently, and recently some thought has been given to allowing the pendulum to swing way back. The division is now looking for a DDO body to "coordinate" and ginger up analysts (whose work is assigned along functional lines) to consider China issues. One analyst--solid but not very imaginative--has been assigned full time to China. While the new concern that China work has lagged seems admirable, the solutions thus far proposed seem little more than palliatives. The situation is no better in [redacted] where little or no sustained work is now being done on China issues.

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--OWI. The situation in this office parallels that in OSI. Nearly all work is concentrated on the USSR. My colleague, [redacted] [redacted] estimates that no more than one and one-half man-years is currently being devoted to China within the office.

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--OGCR. The China work of this office is generally coherent, and is largely self-defined by the nature of the office's concerns. Geographic work is largely a question of maintenance of a data-base; the most interesting project now in view is the application of [redacted] techniques to the China project. This effort will take several years to mature. The major problem here--particularly as it concerns traditional geographic work--is one of relevance and of lack of intellectual interaction with analysts in other offices.

--OCR. Relevance is also a problem here; a more fundamental problem--which is not confined to the China field--is the quality of analytical work. The office has great difficulty in retaining first-class analysts, who quickly move on to more interesting work in other offices. Officials at the policy-making level have complained for years about the quality of [redacted] the office produces in the China area. The current [redacted] chief tells me there is little he can do about this; he lacks qualified personnel to turn out a better product.

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--OIA. The work of this office is driven by the requirements of other Directorate components.

6. In light of the foregoing, I propose a third prong to the Directorate's attack on the China problem. What I have in mind is a focused approach to research that would both challenge and channel the Directorate's intellectual resources devoted to the China question. This effort would supplement the Priority Intelligence Production Projects program in focusing the work of the individual production offices into a coherent pattern. This effort would not be a production program in the usual sense of the term, although many useful papers would fall out from it; it would primarily be a means of making the individual efforts of the various analysts in each of the offices relevant one to another. And if successful it would make the China work of the Directorate at once more disciplined and innovative.

7. This effort would involve the following elements: (a) orient the research effort of ORPA and to a lesser degree OER and OSR around the fundamental question of how Chinese decision-making works. There is a considerable body of unexploited material bearing on this problem which could yield important results to imaginative research and analysis; (b) begin to orient the research effort of OER toward research on political economy. This is an important subject in its own right, but it would also support the effort in the decision-making area;

(c) while allowing for continuing work on military capabilities, reorient a considerable portion of the research effort of OSR and OWI toward the field of Chinese military doctrine and strategy. This is a virgin field and an important one; this work would also support the basic effort of decision-making; (d) beef up the China work of OSI and orient its research effort toward the technology transfer problem. This is a high-priority target and one touched on in PRM-24. This work would be supported in part by OER and ORPA.

8. In addition to orienting the research work of the various offices around a coherent theme, we should: (a) use the CPS-proposed outside research project on career patterns of selected Chinese leaders as a model for OCR to follow in its in-house work [redacted] Exploitation of Chinese publications, which is the heart of this project, would eventually involve OCR in a cooperative venture with the [redacted] (b) draw OGCR more fully into the analytic work of the Directorate primarily through cooperation with OER in applying [redacted] to the China problem.

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9. The first step in this three-pronged effort is adoption to the program for interdisciplinary papers on China. A logical follow-on would be to bring some division and some branch chiefs together for a discussion with you of the outstanding analytic problems facing us in the China area.

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CPS/China

Attachments:

- (1) Proposal for Interdisciplinary Papers on China
- (2) OER China production program
- (3) OSR China production program
- (4) Informal OSR China production plan
- (5) Consolidated OSI China production program
- (6) Informal ORPA China production plan
- (7) Consolidated ORPA China production schedule

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ATTACHMENT B

29 March 1977

MEMORANDUM FOR: Director, Office of Regional and Political Analysis
Director, Office of Strategic Research
Director, Office of Economic Research
Director, Office of Scientific Intelligence
Director, Office of Weapons Intelligence
Director, Office of Geographic and Cartographic Intelligence

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1. [redacted] has discussed a series of proposed multi-office papers with division and branch chiefs in the various offices addressed. The projects listed below represent a refinement of various ideas regarding useful topics that should be addressed by the directorate in the next year. The list, which is largely derived from the Directorate priority list under discussion by the Production Board, has been designed with several criteria in mind: (a) the projects should not be excessively burdensome on the respective offices which will undertake them, allowing ample scope for regular office production; (b) they should address high-priority issues of clear interest to policy-makers concerned with China; (c) they should be projects which lend themselves easily to an interdisciplinary approach; and (d) they should be helpful in inducing a culture among directorate analysts concerned with China that further encourages and develops thinking and approaches problems along interdisciplinary lines. The last consideration was particularly in [redacted] mind in drawing up the list. His discussions have led to a consensus that the issues should be approached along the following lines:

Foreign Trade: Politics and Prospects. The proposed paper would examine the political debate on the utility, scope and direction of China's

foreign trade which has been so prominent in the past two years, setting the political context against the economic realities in China. The paper would seek to identify the degree to which the political debate is shaped, modified and limited by the economic situation in China and the constraints imposed by that situation, on the one hand, while also examining the way in which economic options are constrained, redirected and modified by political pressures, on the other. A tentative projection of future trends would also be attempted. This is a well-defined and generally manageable subject, with considerable data available; it might be considered a pilot project which would serve to identify difficulties in undertaking a truly interdisciplinary paper in the China field. Action would lie jointly with an ORPA and an OER analyst, who would undertake joint drafting to the extent feasible. OSI has been asked to make a contribution to this effort in the technology transfer area; this contribution would be essentially a fallout from research project already largely completed in [redacted]

[redacted] and would require little additional research.

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Military Modernization: Problems, Politics, Prospects. This proposed paper would be a major undertaking on a subject of great importance and currency. It would seek to define more clearly the scope of the debate on the issues of military modernization which has been observed fitfully in the Chinese press as well as in party documents over the past three years with a backward glance to the major decisions of 1969-73. The paper would attempt to specify the issues under debate by examining the propaganda, the documents, and the Chinese weapons programs and force structure in mutual context. It would refine our understanding of ways in which political conflict shapes the pace and scope of the Chinese military development effort, on the one hand, and of how on-going programs affect the issues under debate, on the other, and how budgetary considerations affect both. Such a paper should improve our understanding of the Chinese decision-making process and give us some insight into Chinese military strategy. Major drafting responsibilities would lie in ORPA and in OSR, with an important contribution from

OER on the allocation of resources. Given the scope and complexity of this paper, responsibility for shaping and monitoring the research and drafting effort might best lie in one office. In view of this, I suggest that [redacted] do a major part of the 25X1A drafting as well as assume overall responsibility for the project.

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The CSS-X-4: Missile and Warhead. This proposed paper would match on-going research on the CSS-X-4 missile now underway in OWI with research in the [redacted] of OSI on Chinese warhead development. The joint paper would be a natural marriage of these two efforts.

Modernization in Science and Technology: Problems, Politics and Prospects. This proposed paper should assess China's needs and absorption ability in the science and technology area against the record of turmoil and political conflict of the past several years, with a backward glance at the disruption caused by the Cultural Revolution. The paper should give a better fix on the degree to which the political debate has been shaped and constrained by the actual facts of China's technological levels, and the degree to which present pressures for great attention to this field has been shaped by past political disruptions. A tentative assessment of the future trends in technology transfer should also be covered. This effort will somewhat redirect a research project already underway in OSI, adding to it a necessary political dimension. A joint drafting effort by appropriate analysts from ORPA and OSI is envisaged.

Agricultural Modernization: Politics and Prospects. This proposed paper would examine Chinese intentions and options in the agricultural field while taking into account the degree which political changes in Peking have inhibited or redirected efforts in this area. Institutional and organizational questions relating to the effort in the countryside would be examined. This paper would be organized and largely written by or under the direction of a senior OER analyst with a sizable integrated contribution from an appropriate

ORPA analyst. Work would be undertaken later this year, as resources become available in OER.

Tactical Nuclear Weapons: The Program and Chinese Military Doctrine. This proposed paper would examine the proposition, based on recent as well as long-standing evidence, that some Chinese nuclear warhead designs are suitable for the development of a tactical nuclear weapons capability and that the Chinese are in fact developing such a capability. On-going analysis in OSI of the nuclear weapons design/test program, together with information from

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combined with more diffuse material on deployment being examined in OSR should provide more precise clues regarding Chinese military doctrine as it relates to theater warfare. A systematic examination of this question would break virgin ground. The effort would be undertaken jointly by seasoned analysts in OSI [] and in OSR [] with a significant input from OIA.

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2. Two additional research efforts are obvious candidates for follow-on attention as work on the papers just described matures. One project would examine Industrial Modernization, treating the interplay of politics and economics as in the papers on agriculture, foreign trade, and military modernization while also defining issues related to organization and industrial management. This would be a joint OER-ORPA project, with OER taking the lead. Another logical area would be to apply

[] methodology for estimating Soviet grain output developed in OGCR to the China problem. Formidable technical problems preclude early production of finished intelligence, but OGCR expects to start in a tentative way this year. Full application of the method could take as much as three years. This should be done in close consultation with OER.

3. Your views of these projects, which are designed to provide a broad range of interdisciplinary papers in the China area, would be most useful if received by 8 April. We could then work out differences, should any show up, in order to table this proposal for general discussion at the Production Board Meeting on 18 April.

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| TRANSMITTAL SLIP | | DATE |
| | | 23 May 77 |
| TO: CPS CHINA FILE | | |
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